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# What is Money? By A. MITCHELL INNES. (New York: Banking Law Journal. 1913. Pp. 32. Price 25 cents.)

In his theory of money the author of this pamphlet is a follower of H. D. McLeod. The fallacy - if I am right in thinking that this theory of the effect of credit is a fallacy - is a familiar one, and it will not be worth while to discuss it in this review. The distinctive value of the pamphlet arises from a different source, as indicated below, and the writer's strength is on the historical, not on the theoretical, side.

The author's contention is that, in an overwhelming majority of the instances to be found in recorded history, the currency has been of the nature of an inconvertible currency. "There never was," he says, "until quite modern days, any fixed relationship between the monetary unit and any metal; that, in fact, there never was such a thing as a metallic standard of value." The moneys of account, of which record remains, were for the most part conventional units, depending for their value on custom or on the action of the State, and having fluctuating values, in spite of occasional attempts to steady them, in terms of gold or silver. "If it is true that coins had no stable value; that for centuries at a time there was no gold or silver coinage, but only coins of base metal of various alloys; that changes in the coinage did not affect prices; that the coinage never played any considerable part in commerce; that the monetary unit was distinct from the coinage, and that the price of gold and silver fluctuated constantly in terms of that unit, then it is clear that the precious metals could not have been a standard of value, nor could they have been the medium of exchange." "There is not, and there never has been, so far as I am aware, a law compelling a debtor to pay his debt in gold or silver or in any other commodity."

This position Mr. Innes endeavours to establish by an historical inquiry, the value of which is, unfortunately, much diminished by an entire absence of any references to authorities. His first examples are drawn from classical times. The ancient coins of Greece and of Rome, according to Mr. Innes, although composed of the precious metals, are so extraordinarily variable in size, weight, and fineness that it is hardly conceivable that the value of the monetary unit depended on the amount of valuable metal in the coins. The coins, therefore, were all token coins, their exchange value as money differing in varying degrees from their intrinsic value. The bulk of his instances, however, are drawn from the early monetary history of France. We find here, throughout, considerable persistence in the name of the conventional money of account, constant variation in the weight and alloy of the coins, and a profit always accruing to the authority issuing the coins. "The only reason why the intrinsic value of some of the coins ever equalled or exceeded their nominal value was because of the constant rise of the price of precious metals, or (what produced the same result) the continuous fall in the value of the monetary unit."

Mr. Innes's next point is that the idea, that "in modern days a money-saving device has been introduced called credit, and that, before this device was known, all purchases were paid for in cash, in other words in coins," is simply a popular fallacy. The use of credit, he thinks, is far older than that of cash. The numerous instances, he adduces in support of this, from very remote times are certainly interesting. "For many centuries, how many we do not know, the principal instrument of commerce was neither the coin nor the private token, but the tally, a stick of squared hazel-wood, notched in a certain manner to indicate the amount of the purchase or debt. . . . By their means all purchases of goods, all loans of money were made, and all debts cleared. The clearing houses of old were the great periodical fairs, whither went merchants, great and small, bringing with them their tallies, to settle their mutual debts and credits. . . . The relation between religion and finance is significant. It is in the temples of Babylonia that most, if not all, of the commercial documents have been found. The temple of Jerusalem was in part a financial or banking institution, so also was the temple of Apollo at Delphi. The fairs of Europe were held in front of the churches, and were called by the names of the Saints, on or around whose festival they were held. . . . There is little doubt to my mind that the religious festival and the settlement of debts were the origin of all fairs, and the commerce which was there carried on was a later development. If this is true, the connection between religion and the payment of debts is an additional indication, if any were needed, of the extreme antiquity of credit."

Mr. Innes's development of this thesis is of unquestionable interest. It is difficult to check his assertions or to be certain that they do not contain some element of exaggeration. But the main historical conclusions which he seeks to drive home have, I think, much foundation, and have often been unduly neglected by writers excessively influenced by the "sound currency" dogmas of the mid-nineteenth century. Not only has it been held that only intrinsic-value money is "sound," but an appeal to the history of currency has often been supposed to show that intrinsic-value money is the ancient and primitive ideal, from which only the wicked have fallen away. Mr. Innes has gone some way towards showing that such a history is quite mythical.

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